

REDACTED – FOR PUBLIC INSPECTION

June 28, 2016

VIA ECFS

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, S.W.
Washington, D.C. 20554

RE: **REQUEST FOR CONFIDENTIAL TREATMENT**
WC Docket No. 14-58 - ETC Annual Reports and Certifications

Request that Information Submitted to the Commission be Withheld from Public Inspection Pursuant to 47 C.F.R. §0.459 and 5 U.S.C. §552(b)(4): Five-Year Service Quality Improvement Plan Progress Report included in FCC Form 481

Confidential Information – Subject to Protective Order Before the Federal Communications Commission

Dear Ms. Dortch:

In accordance with the annual reporting requirements of 47 C.F.R. §§54.313 and 54.422, XIT Rural Telephone Cooperative, Inc. (the Cooperative), Study Area Code 442170 is submitting a completed FCC Form 481 to the Commission via its Electronic Comment Filing System (ECFS) in WC Docket No. 14-58. *The version of the Cooperative's FCC Form 481 submitted via ECFS is a redacted version of the filing that contains no confidential information.*

The Cooperative, by its authorized representative, hereby requests confidential treatment of two attachments to its FCC Form 481: (1) the five-year service quality improvement plan progress report and (2) the financial annual report, both of which were redacted in the ECFS submission. The request for confidential treatment of the five-year plan progress report is being made pursuant to Section 0.459 of the Commission's rules and Exemption 4 of the Freedom of Information Act (FOIA). The request for confidential treatment of the financial annual report is being made pursuant to the FCC's

MOSS-ADAMS_{LLP}

Ms. Marlene Dortch

Page 2

March 22, 2016 *Protective Order* in WC Docket Nos. 10-90 and 14-58. These attachments contain competitively sensitive data that XIT Rural Telephone Cooperative, Inc. maintains as confidential and does not normally make available to the public. Release of this information would have a substantial negative impact on the Cooperative.

Five-Year Service Quality Improvement Plan Progress Report

Pursuant to Section 0.459 of the Commission's rules and Exemption 4 of FOIA, XIT Rural Telephone Cooperative, Inc. requests that the text and data extracted from its five-year service quality improvement plan progress report be withheld from public inspection because it contains competitively sensitive commercial and financial information that the Cooperative maintains as confidential. Public availability of this information would have a substantial negative impact on the Cooperative.

In accordance with Section 0.459 of the Commission's rules, the following information is provided in support of this request:

(1) Identification of the specific information for which confidential treatment is sought:

Attachment to Line 112 of FCC Form 481 – Five-Year Service Quality Improvement Plan Progress Report. Specifically, confidential treatment is sought for all information in the five-year plan progress report related to the Cooperative's access line counts, existing broadband capabilities, and current and planned financial investments in its network that will improve service quality, service coverage, and/or service capacity for its customers.

(2) Identification of the Commission proceeding in which the information was submitted or a description of the circumstances giving rise to the submission:

The information was submitted in WC Docket No. 14-58 as an attachment to FCC Form 481- the Carrier Annual Reporting Data Collection Form. Section 100 of FCC Form 481 requires incumbent local exchange carriers receiving high cost support to attach a progress report on its five-year service quality improvement plan, pursuant to 47 C.F.R. §54.313(a)(1).

(3) Explanation of the degree to which the information is commercial or financial, or contains a trade secret or is privileged:

The five-year service quality improvement plan progress report contains granular information on the Cooperative's access line counts and/or existing broadband capabilities as well as recent and planned capital investments in its network to improve service quality, service coverage, and/or service capacity. It also contains a

map of the Cooperative's service area detailing progress toward meeting broadband deployment targets at the wire center level. This is closely guarded, privileged information that the Cooperative does not make publicly available.

- (4) Explanation of the degree to which the information concerns a service that is subject to competition:

Broadband is subject to increasing competition in the areas served by rural, rate-of-return incumbent local exchange carriers (RLECs). Virtually all RLECs face competition from one or more wireless Internet service providers. Most RLECs also face competition from at least one other wireline broadband provider, such as a larger cable company, who will typically seek to "cherry pick" the lower cost portions of the study area. In addition, all RLECs face competition throughout their territories from satellite broadband providers.

- (5) Explanation of how disclosure of the information could result in substantial competitive harm:

Disclosure of the information contained in the five-year plan progress report would provide competitors with detailed, granular information regarding the Cooperative's access line count, its existing broadband capabilities, and its recent and planned network investments that improve service quality, coverage, and/or capacity for subscribers. This would give competitors valuable confidential information with which to develop their own strategies for investing in the service area, thereby bringing substantial competitive harm to the Cooperative.

- (6) Identification of any measures taken by the submitting party to prevent unauthorized disclosure:

The Cooperative has continually treated the extracted information in its five-year plan progress report as confidential and carefully controls the information to protect it from competitors. Access to the information is limited to employees that require it and to non-employees with confidentiality obligations such as lenders, consultants, auditors, and attorneys. In addition, when such information is required to be submitted to a state regulatory authority it has been filed as confidential information, not available to the public.

MOSS-ADAMS_{LLP}

Ms. Marlene Dortch

Page 4

- (7) Identification of whether the information is available to the public and the extent of any previous disclosure of the information to third parties:

The redacted information in the five-year plan progress report is not available to the public, and third-party access is limited as described in (6) above.

- (8) Justification of the period during which the submitting party asserts that material should not be available for public disclosure:

The Cooperative requests that the extracted information be withheld from public inspection indefinitely. The information in the five-year plan progress report details the Cooperative's most recent network upgrades in relation to its previously submitted service quality improvement plan. It may also contain upcoming planned network improvements during the five-year period ending 2019. This information would provide a very useful baseline for competitors for several years beyond that period.

- (9) Any other information that the party seeking confidential information treatment believes may be useful in assessing whether its request for confidentiality should be granted:

Exemption 4 of FOIA shields from public disclosure commercial or financial information obtained from a person that is privileged or confidential. Based on the responses provided above, the information in question satisfies this test.

Financial Annual Report

Section 3005 of FCC Form 481 requires a privately-held rate-of-return carrier receiving high cost support to attach a full and complete annual report of the company's financial condition and operations pursuant to 47 C.F.R. §54.313(f)(2). XIT Rural Telephone Cooperative, Inc. seeks confidential treatment of its financial annual report pursuant to the March 22, 2016 *Protective Order* in WC Docket Nos. 10-90 and 14-58.¹ The *Protective Order* specifically covers information filed pursuant to 47 C.F.R. §54.313(f)(2).

XIT Rural Telephone Cooperative, Inc. is providing to the Office of the Secretary, under seal, this cover letter and the Form 481 filing which includes the confidential information that is being requested to be withheld from public inspection.

¹ *Connect America Fund, ETC Annual Reports and Certifications*, WC Docket Nos. 10-90 and 14-58, Protective Order, DA 16-296 (rel. Mar. 22, 2016).

MOSS ADAMS LLP

Ms. Marlene Dortch

Page 5

Each page of the five-year service quality improvement plan progress report confidential submission bears the legend, "CONFIDENTIAL – NOT FOR PUBLIC DISCLOSURE."

Each page of the financial annual report confidential submission bears the legend, "CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION."

The confidential information has also been submitted to the Universal Service Administrative Company through its E-File system as attachments to the FCC Form 481.

In the filing submitted via ECFS, all pages containing confidential information bear the legend "REDACTED – FOR PUBLIC INSPECTION."

This cover letter includes no confidential information and the text is the same in both the non-redacted and redacted versions except for the confidentiality markings.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Lynette Hampton". The signature is fluid and cursive, with the first name being more prominent.

Lynette Hampton
Authorized Representative for
XIT Rural Telephone Cooperative, Inc.

LH/pjf

Attachments

cc: Mr. Darrell F. Dennis, XIT Rural Telephone Cooperative, Inc.

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name: Person USAC should contact with questions about this data	Catherine Taylor
<035>	Contact Telephone Number: Number of the person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	ctaylor@xitcomm.net
	Form Type	54.313 and 54.422

**(100) Service Quality Improvement Reporting
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

<110>	Has your company received its ETC certification from the FCC?	(yes / no)	<input type="radio"/> <input checked="" type="radio"/>
<111>	If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?	(yes / no)	<input type="radio"/> <input type="radio"/>

If your answer to Line <111> is yes, please file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

442170tx112.pdf

Name of Attached Document

Please select the appropriate responses below (Yes, No, Not Applicable) to confirm that the attached document(s), on line 112, contains a progress report on its five-year service quality improvement plan pursuant to §54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

- <113> Maps detailing progress towards meeting plan targets
- <114> Report how much universal service (USF) support was received
- <115> How much (USF) was used to improve service quality and how support was used to improve service quality
- <116> How much (USF) was used to improve service coverage and how support was used to improve service coverage
- <117> How much (USF) was used to improve service capacity and how support was used to improve service capacity
- <118> Provide an explanation of network improvement targets not met in the prior calendar year.

Yes
Yes
Yes
Yes
Yes
Not Applicable

(200) Service Outage Reporting (Voice)
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

<210> For the prior calendar year, were there any reportable voice service outages? No

[illegible]

**(300) Unfulfilled Service Request
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

<300> Unfulfilled service request (voice)

0

<310> Detail on attempts (voice)

Name of Attached Document

<320> Unfulfilled service request (broadband)

0

<330> Detail on attempts (broadband)

Name of Attached Document

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. Offered only fixed voice	
<410>	Complaints per 1000 customers for fixed voice	0 . 0
<420>	Complaints per 1000 customers for mobile voice	
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. Offered only fixed broadband	
<440>	Complaints per 1000 customers for fixed broadband	0 . 0
<450>	Complaints per 1000 customers for mobile broadband	

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes
442170tx510.pdf		
<510>	Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	

(600) Functionality in Emergency Situations		FCC Form 481
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	442170tx610.pdf

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

<701>	Residential Local Service Charge Effective Date	1/1/2016
<702>	Single State-wide Residential Local Service Charge	

-- See attached worksheet

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

-- See attached worksheet --

**(800) Operating Companies
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net
<810>	Reporting Carrier	XIT RURAL TEL CO-OP
<811>	Holding Company	Not Applicable
<812>	Operating Company	XIT Rural Telephone Cooperative, Inc.

[illegible]

**(900) Tribal Lands Reporting
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

<900> Does the filing entity offer tribal land services? (Y/N) No

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached document(s), on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable

**(1000) Voice and Broadband Service Rate Comparability
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance 442170tx1010.pdf

Name of Attached Document

<1020> Broadband comparability certification Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau

<1030> Attach detailed description for broadband comparability compliance 442170tx1030.pdf

Name of Attached Document

**(1100) No Terrestrial Backhaul Reporting
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

<1100> Certify whether terrestrial backhaul options exist (Y/N)

Yes

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

442170tx1210.pdf

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- | | | |
|--------|---|-------------------------------------|
| <1221> | Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, | <input checked="" type="checkbox"/> |
| <1222> | Details on the number of minutes provided as part of the plan, | <input checked="" type="checkbox"/> |
| <1223> | Additional charges for toll calls, and rates for each such plan. | <input checked="" type="checkbox"/> |

(2000) Price Cap Carrier Additional Documentation

FCC Form 481

Data Collection Form

OMB Control No. 3060-0986/OMB Control No. 3060-0819

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

July 2013

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

- <2010> 2nd Year Certification 47 CFR § 54.313(b)(1)(i) - Note that for the July 1 2016 certification, this applies to Round 2 recipients of Incremental Support
- <2011> 3rd Year Certification 47 CFR § 54.313(b)(1)(ii) - Note that for the July 1 2016 certification, this applies to Round 1 recipients of Incremental Support
- <2022> Recipient certifies, representing year two after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.
- <2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year two - 54.313(b)(2)(ii). Round 2 recipients only.
- <2024A> Round 2 Recipient of Incremental Support?
- <2024B> Attach list of census blocks indicating where funding was spent in year two - 54.313(b)(2)(ii). Round 2 recipients only.
- <2025A> Round 1 or Round 2 Recipient of Incremental Support?
- <2025B> Attach geocoded Information for Phase I milestone reports (Round 1 for year three and Round 2 for year two) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-
- <2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Name of Attached Document Listing
Required Information

Name of Attached Document Listing
Required Information

(2000) Price Cap Carrier Additional Documentation (Continued)

FCC Form 481

Data Collection Form

OMB Control No. 3060-0986/OMB Control No. 3060-0819

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

July 2013

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017B> Attach information for Phase II - 54.313(e)(1) - list of geocoded locations already meeting the 54.309 public interest obligations at the end of calendar year 2015 and total amount of Phase II support, if any, the price

Name of Attached Document Listing
Required Information

cap carrier used for capital expenditures in 2015.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(2)(ii)

Name of Attached Document Listing
Required Information

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(2)(v)

<2020> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 40% of its supported locations in the state on December 31, 2017 - 54.313(e)(3)

<2021> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 60% of its supported locations in the state on December 31, 2018 - 54.313(e)(4)

<2026> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 80% of its supported locations in the state on December 31, 2019 - 54.313(e)(5)

<2027> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 100% of its supported locations in the state on December 31, 2020 - 54.313(e)(6)

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

Complete the items below to note compliance with five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)		
(3010A)	Milestone Certification {47 CFR § 54.313(f)(1)(i)}	Yes - Attach Certification	
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	442170tx3010.pdf
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	No - No New Community Anchors	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
(3015)	Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires: Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3019)	If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains: Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input checked="" type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.		<input checked="" type="checkbox"/>
(3022)	If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains: Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input type="checkbox"/>
(3025)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	442170tx3026.pdf

(3005) Rate Of Return Carrier Additional Documentation (Continued)	FCC Form 481
Data Collection Form	OMB Control No. 3060-0986/OMB Control No. 3060-0819
	July 2013

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

Financial Data Summary

(3027) Revenue

(3028) Operating Expenses

(3029) Net Income

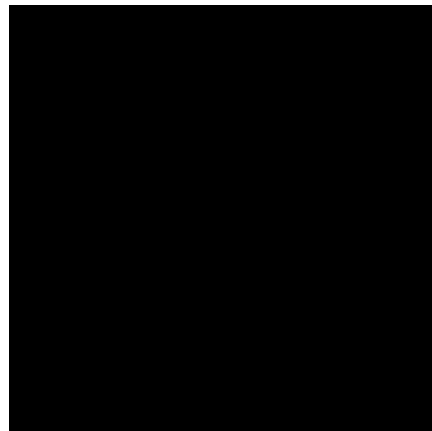
(3030) Telephone Plant In Service(TPIS)

(3031) Total Assets

(3032) Total Debt

(3033) Total Equity

(3034) Dividends



<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission’s public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

Name of Attached Document Listing Required Information

4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

Name of Attached Document Listing Required Information

**Certification - Reporting Carrier
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer: CERTIFIED ONLINE	Date 06/28/2016
Printed name of Authorized Officer: Darrell Dennis	
Title or position of Authorized Officer: General Manager	
Telephone number of Authorized Officer: 8063843311 ext.	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

<010> Study Area Code	442170
<015> Study Area Name	XIT RURAL TEL CO-OP
<020> Program Year	2017
<030> Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035> Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Moss Adams LLP</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	<u>Moss Adams LLP</u>
Name of Reporting Carrier:	<u>XIT RURAL TEL CO-OP</u>
Signature of Authorized Officer:	Date:
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	<u>442170</u> Filing Due Date for this form: <u>07/01/2016</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	<u>XIT RURAL TEL CO-OP</u>
Name of Authorized Agent Firm:	<u>Moss Adams LLP</u>
Signature of Authorized Agent or Employee of Agent:	Date: <u>06/27/2016</u>
Name of Authorized Agent Employee:	<u>Lynette Hampton</u>
Title or position of Authorized Agent or Employee of Agent	<u>Telecommunications Consulting Manager</u>
Telephone number of Authorized Agent or Employee of Agent:	<u>5126527725 ext.</u>
Study Area Code of Reporting Carrier:	<u>442170</u> Filing Due Date for this form: <u>07/01/2016</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

(700) Price Offerings including Voice Rate Data Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

July 2013

<701>	Residential Local Service Charge Effective Date	1/1/2016
<702>	Single State-wide Residential Local Service Charge	

[illegible]

(710) Broadband Price Offerings Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	442170
<015>	Study Area Name	XIT RURAL TEL CO-OP
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Catherine Taylor
<035>	Contact Telephone Number - Number of person identified in data line <030>	8063843311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	ctaylor@xitcomm.net

[illegible]

(800) Operating Companies Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

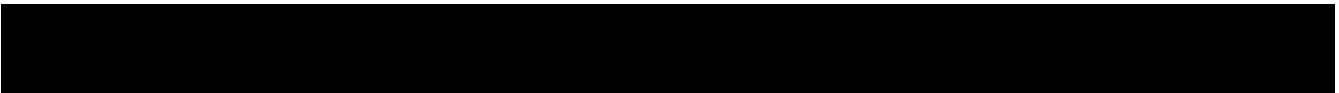
July 2013

[illegible]

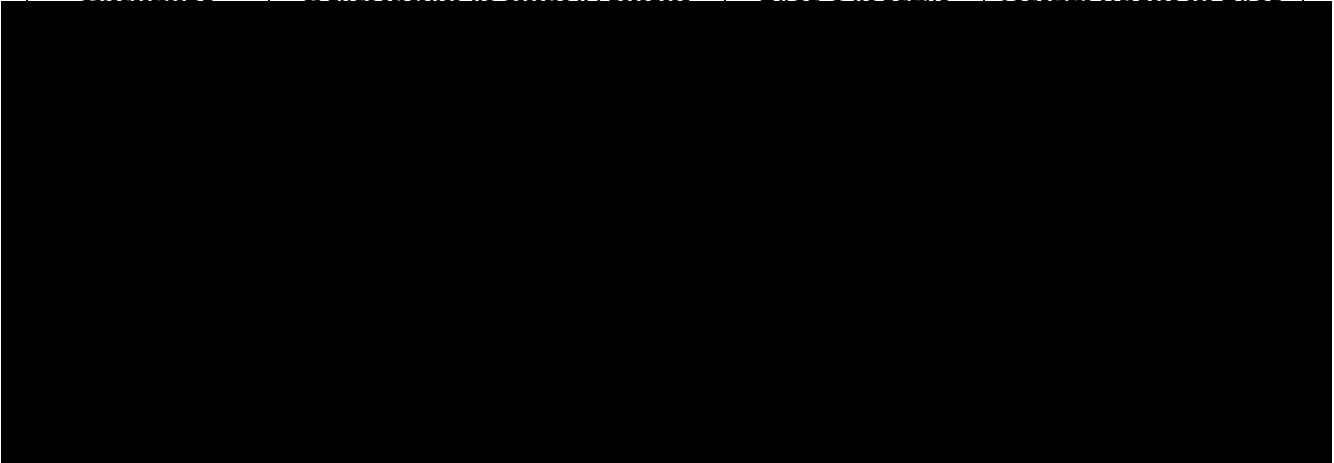
**LINE 112- FIVE-YEAR SERVICE QUALITY IMPROVEMENT PLAN
PROGRESS REPORT**



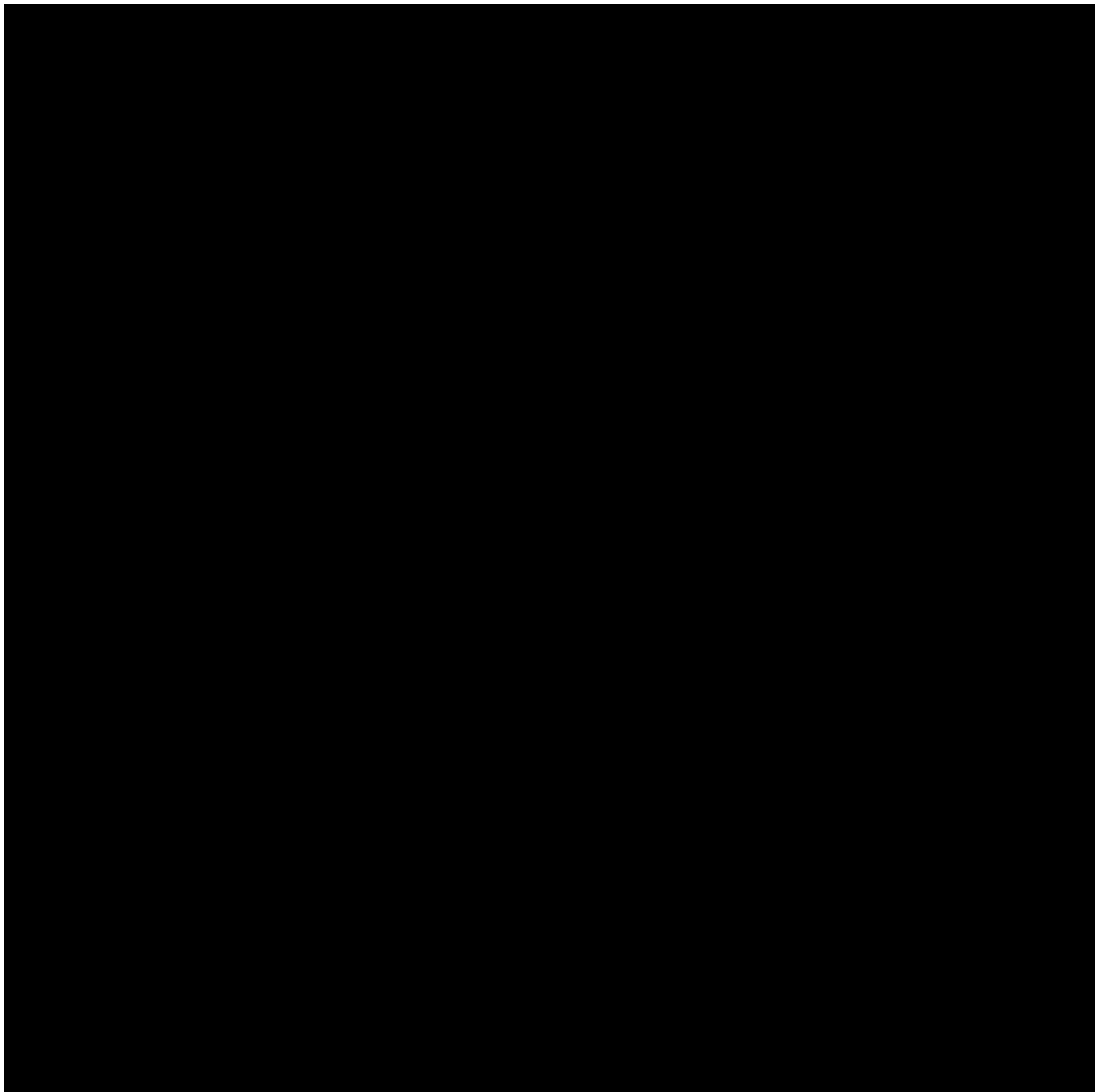
The Cooperative received \$2,167,001 in Universal Service Funds (“USF”) support for the 2015 calendar year.

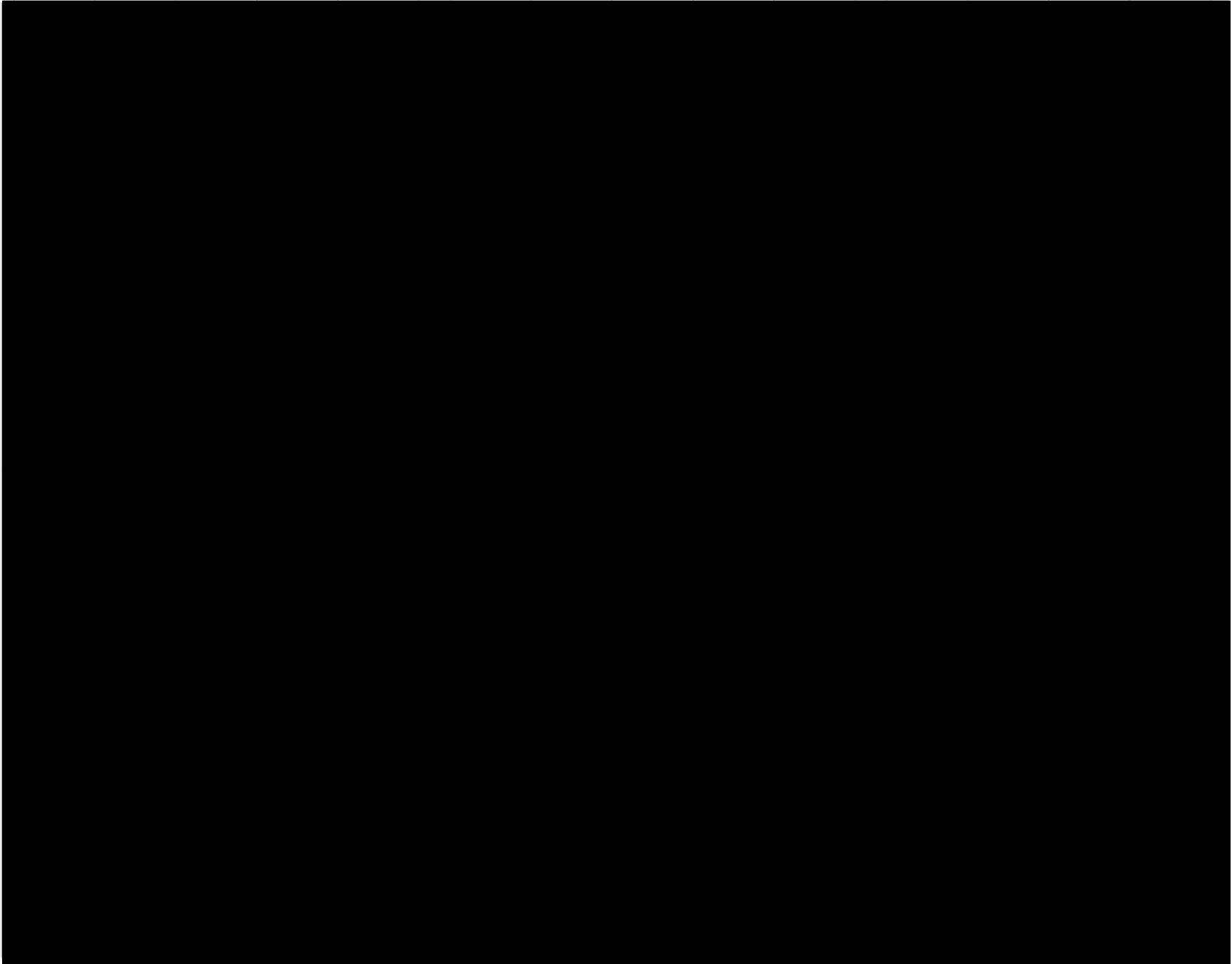


Exchange	Description of Improvement	2015 Forecast	Actual Spent in 2015
----------	----------------------------	---------------	----------------------



Year End 2015 Progress Report Description





LINE 510 - SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES COMPLIANCE

XIT Rural Telephone Cooperative, Inc. (the “Cooperative”) complies with applicable service quality standards and consumer protection rules for its voice and broadband services.

The rates, terms, and conditions under which the Cooperative operates are outlined in its member services tariff, which is approved by the Public Utility Commission of Texas (“Texas PUC”). The tariff contains provisions regarding the Cooperative’s customer service and protection practices.

Service quality standards for voice service are established by the Texas PUC. The Cooperative consistently meets or exceeds those standards and provides reports to the Texas PUC, in accordance with the Texas PUC’s rules.

With regard to broadband service, the Cooperative provisions its network and equipment to ensure that its customers can enjoy the speeds to which they subscribe. However, Internet speeds generally result from a “best effort” service and are dependent upon a number of variables, many of which are outside the control of the Cooperative. The Cooperative also complies with the FCC’s Open Internet rules, 47 C.F.R. §§8.3-8.11. These rules prohibit blocking, throttling, and paid prioritization, and also require transparency of network management practices, performance, and the commercial terms of broadband services.

The Cooperative complies with any and all consumer protection obligations under state law.

The Cooperative also complies with the following consumer best practices: (1) the Cooperative discloses its rates and terms of service to customers; (2) the Cooperative provides specific disclosures in its advertising; (3) the Cooperative separately identifies carrier charges from taxes on its billing statements; (4) the Cooperative provides ready access to customer service; (5) the Cooperative promptly responds to consumer inquiries and complaints received from government agencies; and (6) the Cooperative abides by policies for protection of consumer privacy.

Finally, the Cooperative has a policy and established operating procedures that comply with the FCC’s Customer Proprietary Network Information (CPNI) rules (47 C.F.R. §§64.2001-64.2011). Certification of the Cooperative’s compliance with CPNI rules and a description of the Cooperative’s operating procedures that ensure compliance are filed annually with the FCC.

LINE 610 - ABILITY TO FUNCTION IN EMERGENCY SITUATIONS

XIT Rural Telephone Cooperative, Inc. is able to function in emergency situations for both voice and broadband service. The Cooperative has a reasonable amount of back-up power to ensure functionality without an external power source. Standby power generators are supplied at the central office, remote switch sites, and repeater sites to ensure functionality without an external power source until power is restored. The network is capable of managing traffic spikes resulting from emergency situations.

The Cooperative is able to reroute traffic around damaged facilities. Although the Cooperative's ability to reroute traffic around damaged facilities is not absolute and may be limited in certain circumstances, there is a restoration plan in place for expeditious recovery of service, including splicing of damaged facilities when warranted.

LINE 1010 – VOICE SERVICES RATE COMPARABILITY

The Wireline Competition Bureau's 2015 reasonable comparability benchmark for voice services was \$47.48, which includes the federal subscriber line charge ("SLC").¹

In 2015, in the exchanges served by XIT Rural Telephone Cooperative, Inc. ("the Cooperative"), the highest single-line residential local rate was \$17.10. When the federal SLC (\$6.50) is included, the rate was \$24.50. Therefore, the Cooperative's pricing of fixed voice services in 2015 was less than the reasonable comparability benchmark of \$47.48.

¹ *Wireline Competition Bureau Announces Results of 2015 Urban Rate Survey for Fixed Voice and Broadband Services and Posting of Survey Data and Explanatory Notes*, Public Notice, WC Docket No. 10-90, DA 15-470 (rel. April 16, 2015).

LINE 1030 – BROADBAND SERVICES RATE COMPARABILITY

In 2015, XIT Rural Telephone Cooperative, Inc. (“the Cooperative”) charged a residential rate of \$49.00 for broadband providing 30 Mbps download/2 Mbps upload, and an unlimited usage allowance. This rate is lower than \$77.80, which is the 2015 reasonable comparability benchmark established by the Wireline Competition Bureau for 10 Mbps download/1 Mbps upload, and an unlimited usage allowance¹ – a less robust service offering than the one provided by the Cooperative.

¹ *Wireline Competition Bureau Announces Results of 2015 Urban Rate Survey for Fixed Voice and Broadband Services and Posting of Survey Data and Explanatory Notes*, Public Notice, WC Docket No. 10-90, DA 15-470 (rel. April 16, 2015).

LINE 1210 – TERMS & CONDITIONS OF VOICE TELEPHONY LIFELINE PLANS

XIT Rural Telephone Cooperative (the Cooperative) offers customers who qualify for the Lifeline Program a federal discount of \$9.25, a state discount of \$3.50, and an area discount of \$0.40 on local voice telephony service in all exchanges except Texline. The Lifeline area discount for the Texline exchange is \$0.53.

In all exchanges served by the Cooperative except Texline, the Lifeline rate for single-line residential voice service, including any mandatory extended area service charge and the federal subscriber line charge, is \$9.35 (\$22.50 less the \$13.15 discount). In the Texline exchange, the Lifeline rate for single-line residential voice service, including any mandatory extended area service charge and the federal subscriber line charge, is \$11.22 (\$24.50 less the \$13.28 discount).

The local exchange service rate includes an unlimited number of local calling minutes.

Additional charges for toll calls associated with the residential local exchange service are billed at the rates of the long distance carrier chosen by the subscriber. Lifeline customers have the option to subscribe to toll blocking at no charge. The Cooperative will not disconnect the local service of a Lifeline customer for non-payment of toll charges. However, the Cooperative reserves the right to implement toll blocking, at no charge, if the customer incurs a significant balance of unpaid toll bills.

Lifeline customers may subscribe to custom calling features at the standard rates offered to all subscribers. Lifeline customers may also subscribe to any bundled service package offered by the Cooperative and will receive the applicable discount for the basic local exchange portion of the bundle.

The attached pages from the Cooperative's Member Services Tariff include the terms and conditions for Lifeline Service.

MEMBER SERVICES TARIFF

LOCAL EXCHANGE SERVICE

IV. LIFELINE PROGRAM

The Lifeline Program is a retail local service offering designed to make telephone service available at reduced rates to qualifying low-income customers.

A. General

1. A qualifying low-income customer subscribing to the Lifeline Program shall receive federal and state reductions to their monthly tariffed residential local exchange access line rate.

2. Nothing in this section shall prohibit a customer who is otherwise eligible for the Lifeline Program from obtaining and using telecommunications equipment and services designed to aid such customer in utilizing qualifying telecommunications services.

3. Lifeline Program reductions do not apply to surcharges, taxes, long distance service, 976 and other information related telecommunications services, and optional services such as custom calling features. Customers may obtain these services, where available, at their discretion.

4. The Lifeline Program rate reductions do not apply to service connection charges.

D
|
D

MEMBER SERVICES TARIFF

LOCAL EXCHANGE SERVICE

IV. LIFELINE PROGRAM (Continued)

A. General (Continued)

5. The Cooperative may not disconnect the service of a Lifeline Program customer for the non-payment of toll charges. However, the Cooperative reserves the right to implement toll blocking, at no charge, if the customer incurs a significant balance of unpaid toll bills. The Cooperative will inform the customer, by direct mail, of this change to their service due to the customer's non-payment of toll charges. Upon the customer's payment of all outstanding toll charges, the Cooperative shall remove mandatory toll blocking at no charge.

6. Upon subscribing to the Lifeline Program, a customer will be offered a subscription, at no charge, to toll blocking service (in exchanges where technically available) which denies the customer access to the long distance telecommunications network; however, the customer is under no obligation to accept the subscription to toll blocking.

7. The Lifeline Program rate reductions will not be available on a retroactive basis unless approved by the Public Utility Commission of Texas or the Low-Income Discount Administrator (LIDA).

B. Designated Lifeline Program Services

The Cooperative shall offer voice telephony services that provide the following functionalities as designated Lifeline Program services:

1. Voice grade access to the public switched network or its functional equivalent
2. Minutes of use for local service provided at no additional charge to the customer
3. Access to emergency services
4. Toll blocking service

MEMBER SERVICES TARIFF

LOCAL EXCHANGE SERVICE

IV. LIFELINE PROGRAM (Continued)

C. Eligibility Requirement

1. Qualifying Low-Income (Eligible) Customer Criteria

An eligible customer shall be defined as an individual whose annual household income is at or below 150% of the federal poverty guidelines or in whose household resides a person who receives or has a child who receives benefits from at least one of the following programs:

- | | |
|--|---|
| a. Medicaid | |
| b. Food Stamps (Supplemental Nutrition Assistance Program) | T |
| c. Supplemental Security Income (SSI) | T |
| d. Federal Public Housing Assistance (FPHA) | |
| e. Low-Income Heat and Energy Assistance Program (LIHEAP) | |
| f. Health benefits coverage under the state Children's Health Insurance Program (CHIP) | |
| g. National School Lunch Program's Free Lunch Program | N |
| h. Temporary Assistance for Needy Families | N |

The Lifeline Program rate reductions will be provided to each eligible customer. The Low-Income Discount Administrator (LIDA) will provide a list of eligible customers to the Cooperative each month.

2. Obligations of the Customer

a. Customers whose annual household income is at or below 150% of the federal poverty guidelines or who participate in FPHA or LIHEAP programs may self-enroll for Lifeline Program benefits by completing an application form and returning it to LIDA. LIDA will send a blank application upon customer request. LIDA can be reached at 1-866-4LITEUP. Current customers receiving benefits under Medicaid, Food Stamps, SSI or CHIP will be subject to the Lifeline Program automatic enrollment procedures as provided by the LIDA unless they provide a written request to the LIDA to be excluded from the Lifeline Program.

b. A customer who is eligible for the Lifeline Program, but does not have telephone service at the time LIDA provides its eligibility list to the Cooperative, shall be responsible for initiating a request for the Lifeline Program from the Cooperative.

MEMBER SERVICES TARIFF

LOCAL EXCHANGE SERVICE

IV. LIFELINE PROGRAM (Continued)

C. Eligibility Requirement (Continued)

3. Obligations of the Cooperative

a. LIDA will provide a list of eligible customers to the Cooperative on a monthly basis. Upon receipt of the list, the Cooperative shall begin reduced billing for those customers within 30 days.

4. Discontinuance of Service

a. Discontinuance of Lifeline Discounts for customers automatically enrolled. The eligibility period for automatically enrolled customers is the length of their enrollment in Texas Health and Human Services Commission (THHSC) benefits plus a period of 60 days for renewal. Automatically enrolled customers will have an opportunity to renew their THHSC benefits or self-enrollment with LIDA upon the expiration of their automatic enrollment.

b. Discontinuance of Lifeline Discounts for customers who have self-enrolled. Individuals not receiving benefits through THHSC programs, but who have met Lifeline income qualifications, are eligible to receive the Lifeline Discount for seven months, which includes a period of 60 days during which the customer may renew their eligibility with LIDA for an additional seven months.

PUBLIC UTILITY COMMISSION OF TEXAS
APPROVED

NOV - 2 '07 DOCKET 34815

CONTROL # _____

Issued:

By: Darrell F. Dennis, General Manager
Box 711, Dalhart, TX 79022

MEMBER SERVICES TARIFF

LOCAL EXCHANGE SERVICE

IV. LIFELINE PROGRAM (Continued)

D. Deposit and Credit Requirements

1. The Cooperative shall be prohibited from charging a service deposit in order to initiate the Lifeline Program if the eligible customer voluntarily elects to receive toll blocking.

2. The Cooperative may charge a service deposit if the eligible customer denies subscription to toll blocking upon subscribing to the Lifeline Program.

T
|
T

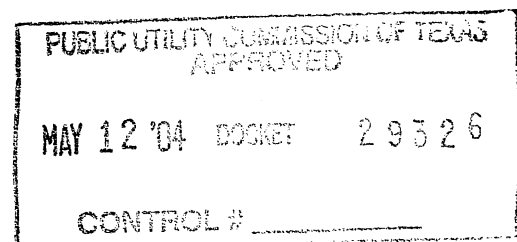
D
D

3. In instances where the Cooperative may require a service deposit, the same credit verification procedures and deposit regulations used for all applicants who apply for service with the Cooperative are also applicable to eligible customers for the Lifeline Program.

E. Service Connection Charges

1. Service connection charges do not apply to eligible customers with existing, qualifying service converting to the Lifeline Program.

Issued:
By: Jimmy White, Manager
Box 711, Dalhart, TX 79022



MEMBER SERVICES TARIFF

LOCAL EXCHANGE SERVICE

IV. LIFELINE PROGRAM (Continued)

E. Service Connection Charges (Continued)

2. Service connection charges do apply when:

a. Existing eligible customers request additional non-qualifying services at the time Lifeline program reduced billing is initiated.

b. New customers (those without existing local exchange access service) eligible for the Lifeline Program establish qualifying service.

c. Customers make subsequent moves or changes after initial connection to the Lifeline Program.

F. Lifeline Program Rate Reduction

1. Implementation

The Cooperative shall provide reduced billing to all Lifeline Program eligible customers within its service area in accordance with the Commission's Substantive rules.

In instances where a customer inquires about participation in the Lifeline Program, the Cooperative shall provide contact information for LIDA.

LINE 3010 – MILESTONE CERTIFICATION

XIT Rural Telephone Cooperative, Inc. (“the Cooperative”) hereby certifies that it has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of at least 10 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas, at rates that are reasonably comparable to rates for comparable offerings in urban areas, and that requests for such service are met within a reasonable amount of time. If the Cooperative determines that a request for broadband at actual speeds of at least 10 Mbps downstream/1 Mbps upstream is unreasonable, and offering broadband service at actual speeds of at least 4 Mbps downstream/1 Mbps upstream is reasonable, the Cooperative offers broadband service of at least 4 Mbps downstream/1 Mbps upstream.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
XIT Rural Telephone Cooperative, Inc. and Subsidiaries
Dalhart, Texas

We have audited the accompanying consolidated balance sheets of XIT Rural Telephone Cooperative, Inc. (a Texas corporation) and subsidiaries as of March 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment; including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of XIT Rural Telephone Cooperative, Inc. and subsidiaries as of March 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued a report dated July 15, 2015, on our consideration of XIT Rural Telephone Cooperative, Inc. and subsidiary's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script, appearing to read "Kwikley Center LLP", is written in dark ink.

Colorado Springs, Colorado
July 15, 2015

**TEXAS 1115
XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
Years ended March 31, 2015 and 2014**

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

Contents

	<u>Page</u>
Independent Auditor's Report.....	1 - 2
Consolidated Financial Statements:	
Consolidated Balance Sheets.....	3 - 4
Consolidated Statements of Operations	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Members' Equity.....	7 - 8
Consolidated Statements of Cash Flows.....	9 - 10
Notes to Consolidated Financial Statements.....	11 - 24
Supplementary Information:	
Independent Auditor's Report on Supplementary Information.....	26
Consolidating Balance Sheet as of March 31, 2015.....	27 - 28
Consolidating Statement of Operations for the year ended March 31, 2015.....	29
Consolidating Balance Sheet as of March 31, 2014.....	30 - 31
Consolidating Statement of Operations for the year ended March 31, 2014.....	32
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Consolidated Financial Statements Performed in Accordance with <u>Government Auditing</u> <u>Standards</u>	33 - 34
Independent Auditor's Report on Compliance with Aspects of Contractual Agreements and Regulatory Requirements for Telecommunications Borrowers.....	35 - 37

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
XIT Rural Telephone Cooperative, Inc. and Subsidiaries
Dalhart, Texas

We have audited the accompanying consolidated balance sheets of XIT Rural Telephone Cooperative, Inc. (a Texas corporation) and subsidiaries as of March 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment; including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of XIT Rural Telephone Cooperative, Inc. and subsidiaries as of March 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued a report dated July 15, 2015, on our consideration of XIT Rural Telephone Cooperative, Inc. and subsidiary's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in assessing the results of our audit.

Colorado Springs, Colorado
July 15, 2015

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**CONSOLIDATED BALANCE SHEETS
March 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents		
Special construction account		
Temporary investments		
Accounts receivable:		
Due from customers		
Less allowance of \$30,792 and \$48,119, respectively		
Interexchange carriers		
Other		
Grant funds receivable		
Interest receivable		
Materials and supplies, at average cost		
Inventory, at average cost		
Prepayments		
Other current assets		
OTHER NONCURRENT ASSETS		
Marketable equity securities		
Partnership investments		
Investment in lenders		
Cash value of life insurance		
Other investments		
Deferred charges		
PROPERTY, PLANT AND EQUIPMENT		
Telephone plant in service		
Video plant in service		
Less accumulated depreciation		
Plant under construction		
TOTAL ASSETS		

The accompanying notes are an integral part of these consolidated financial statements.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**CONSOLIDATED BALANCE SHEETS
March 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
CURRENT LIABILITIES		
Current portion of deferred grant revenue		
Accounts payable:		
Interexchange carriers		
Other		
Customer deposits		
Accrued income taxes		
Other accrued taxes		
Other accrued liabilities		
OTHER NONCURRENT LIABILITIES AND DEFERRED CREDITS		
Deferred income taxes		
Deferred grant revenue, less current portion		
Other deferred credits		
MEMBERS' EQUITY		
Memberships		
Patronage capital assignable		
Patronage capital assigned		
Undistributed earnings of subsidiaries		
Accumulated other comprehensive income		
Noncontrolling interest		
TOTAL LIABILITIES AND MEMBERS' EQUITY		

The accompanying notes are an integral part of these consolidated financial statements.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2015 and 2014**

	2015	2014
OPERATING REVENUES		
Local network services		
Network access services		
Long distance services		
Internet services		
Video services		
Wireless services		
Nonregulated services		
Grant revenue		
Lease revenue		
Miscellaneous revenue		
OPERATING EXPENSES		
Cost of long distance services		
Cost of internet services		
Cost of video services		
Cost of nonregulated services		
Plant specific operations		
Plant nonspecific operations		
Depreciation and amortization		
Customer operations		
Corporate operations		
General taxes		
OPERATING MARGINS		
OTHER INCOME (EXPENSE)		
Interest and dividend income		
Income from partnerships		
Gain/(loss) on sale of investments		
Loss on disposition of property		
Interest on funded debt		
Other interest deductions		
Other, net		
MARGINS BEFORE INCOME TAXES		
INCOME TAXES		
MARGINS BEFORE NONCONTROLLING INTEREST IN NET INCOME OF SUBSIDIARY		
MINORITY INTEREST IN NET INCOME		
NET MARGINS		

The accompanying notes are an integral part of these consolidated financial statements.

XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
NET MARGINS		
Other comprehensive income, net of tax:		
Unrealized gains on securities:		
Unrealized holding gains arising during period, net of tax of		
Reclassification adjustment for gains (losses) included in net		
income, net of tax of		
Other comprehensive income		
COMPREHENSIVE INCOME		
ADD: COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO		
THE NONCONTROLLING INTEREST		
COMPREHENSIVE INCOME		

The accompanying notes are an integral part of these consolidated financial statements.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
Years ended March 31, 2015 and 2014**

	<u>Memberships</u>	<u>Patronage Capital Assignable</u>	<u>Patronage Capital Assigned</u>
Balance at March 31, 2013			
Net margins			
Unrealized gains on securities net of income taxes			
Intercompany dividend payment			
Patronage capital retired			
2013 capital credits assigned			
Distribution to noncontrolling interest			
Change in memberships			
Balance at March 31, 2014			
Net margins			
Unrealized gains on securities net of income taxes			
Patronage capital retired			
2014 capital credits assigned			
Distribution to noncontrolling interest			
Change in memberships			
Balance at March 31, 2015			

The accompanying notes are an integral part of these consolidated financial statements.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
Years ended March 31, 2015 and 2014**

<u>Undistributed</u> <u>Earnings of</u> <u>Subsidiaries</u>	<u>Other</u> <u>Accumulated</u> <u>Comprehensive</u> <u>Income</u>	<u>Noncontrolling</u> <u>Interest in</u> <u>Subsidiary</u>	<u>Total</u> <u>Members'</u> <u>Equity</u>
---	---	--	--



The accompanying notes are an integral part of these consolidated financial statements.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2015 and 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins		
Adjustments to reconcile net margins		
to net cash provided by operating activities:		
Depreciation and amortization		
Deferred income taxes		
Patronage in business conducted with cooperatives		
Patronage distributions received from business conducted with cooperatives		
Equity income from partnerships		
Distributions received from partnerships		
Noncontrolling interest in net income of subsidiary		
Increase in cash surrender value of life insurance		
(Gain)/loss on sale of investments		
Loss on disposition of property		
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		
Inventory		
Prepayments and other		
Increase (Decrease) in:		
Accounts payable		
Accrued taxes		
Other accrued liabilities		
Deferred grant revenue		
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures		
Purchase of investments		
Proceeds from sale of investments		
Salvage, net of cost of removing plant		
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt		
Change in special construction account		
Patronage capital retired		
Distribution to noncontrolling interest		
Adjustment to patronage allocation from patronage investments		
Grant funds received		
Distribution from escrow - sale of wireless		
Change in memberships		
Net cash provided by (used in) financing activities		
Net Increase (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents at Beginning of Year		
Cash and Cash Equivalents at End of Year		

The accompanying notes are an integral part of these consolidated financial statements.

XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years ended March 31, 2015 and 2014

	2015	2014
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing transactions:		
Acquisitions of property and equipment		
Change in accounts payable		

The accompanying notes are an integral part of these consolidated financial statements.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

XIT Rural Telephone Cooperative, Inc. and subsidiaries (herein referred to as "the Company") are providers of telecommunications exchange, local access, internet and related services, video, communications equipment sales, and long distance services in a service area located primarily in the panhandle of Texas.

The accounting policies of the Company conform to accounting principles generally accepted in the United States of America. Management uses estimates and assumptions in preparing its consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management has evaluated subsequent events through July 15, 2015, the date the consolidated financial statements were available for issue. Telephone operations reflect practices appropriate to the telephone industry. The accounting records of the telephone company are maintained in accordance with the Uniform System of Accounts for Class A and B Telephone Companies prescribed by the Federal Communications Commission (FCC) as modified by the Public Utility Commission of Texas (PUC).

Principles of Consolidation

The consolidated financial statements include the accounts of the parent company, XIT Rural Telephone Cooperative, Inc., and its 100% owned subsidiaries, XIT Telecommunication and Technology, Ltd. and XT&T Holdings, LLC.

XIT Telecommunication and Technology, Ltd. includes its 99% owned subsidiary Texas RSA 1 Limited Partnership dba XIT Wireless. Texas RSA 1 Limited Partnership dba XIT Wireless (herein referred to as "XIT Wireless") was a provider of wireless services and communications equipment sales in a service area located in the panhandle of Texas. XIT Wireless was dissolved as of December 31, 2014.

All material intercompany transactions have been eliminated in consolidation.

Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents.

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is stated at the lower of cost or market with cost determined by the average cost method. Inventory consists of wireless mobile telephone equipment that is purchased by the Company primarily for sale to customers.

Investments

Marketable securities bought and held principally for selling in the near future are classified as trading securities and carried at fair value. Unrealized holding gains and losses on trading securities are reported in earnings. Marketable securities classified as available-for-sale are carried at fair value with unrealized holding gains and losses recorded as a separate component of members' equity. Debt securities for which the Company has both the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. The Company uses the FIFO method of computing realized gains and losses.

Nonmarketable equity investments over which the Company has significant influence are reflected on the equity method. Other nonmarketable equity investments are stated at cost.

Intangibles

Intangible assets deemed to have indefinite lives are stated at the lower of cost or fair value. These assets are subject to periodic impairment tests. Intangible assets with definite lives are amortized.

Property, Plant and Equipment

Property, plant and equipment is capitalized at original cost including the capitalized cost of salaries and wages, materials, certain payroll taxes, and employee benefits.

The Company provides for depreciation for financial reporting purposes on the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property as approved by the PUC and the Board of Directors.

Renewals and betterments of units of telephone property are charged to telephone plant in service. When telephone plant is retired, its cost is removed from the asset account and charged against accumulated depreciation less any salvage realized. No gains or losses are recognized in connection with routine retirements of depreciable telephone property. Repairs and renewals of minor items of telephone property are included in plant specific operations expense.

Repairs of video and other equipment included in telephone plant in service, as well as renewals of minor items, are charged to plant specific operations expense. A gain or loss is recognized when other property is sold or retired.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset Retirement Obligations

Generally accepted accounting principles require entities to record the fair value of a liability for legal obligations associated with an asset retirement in the period in which the obligations are incurred. When the liability is initially recorded, the entity capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset.

The Company has determined it does not have a material legal obligation to remove long-lived assets, and accordingly, there have been no liabilities recorded for the years ended March 31, 2015 and 2014.

Software

The Company capitalizes software costs (including right-to-use fees) associated with externally acquired software for internal use. Software maintenance and training costs are expensed as incurred. Capitalized software is generally amortized on a straight-line basis over its useful life, not to exceed five years.

Long-Lived Assets

The Company would provide for impairment losses on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Based on current conditions, management does not believe any of its long-lived assets are impaired.

Income Taxes

The Company is organized and operated on a nonprofit basis. However, as more fully explained in Note 7, the Company has provided for income taxes on certain portions of its operations.

Income taxes are accounted for using a liability method and provide for the tax effects of transactions reported in the consolidated financial statements including both taxes currently due and deferred. Deferred taxes are adjusted to reflect deferred tax consequences at current enacted tax rates. Deferred income taxes related to nonpatronage sourced activities reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes arise from the effects of market value adjustments for marketable securities and earnings from partnership investments. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible, when the assets and liabilities are recovered or settled. Temporary differences related to patronage sourced activities are not expected to offset tax liabilities when the differences are recovered or settled.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Grant Revenue

Deferred grant revenue is amortized over the life of the plant investment acquired with the grant funds, beginning on the date the corresponding asset was placed in service.

Revenue Recognition

The Company recognizes revenues when earned regardless of the period in which they are billed. The Company is required to provide telephone service to subscribers within its defined service territory.

Local network service, video and internet revenues are recognized over the period a subscriber is connected to the network.

Network access and long distance service revenues are derived from charges for access to the Company's local exchange network. The interstate portion of access revenues is based on a cost separation procedure settlement formula administered by the National Exchange Carrier Association (NECA) which is regulated by the FCC. The intrastate portion of access revenues are billed based on an individual company tariff access charge structure approved by PUC. The tariffs developed from this structure are used to charge the connecting carrier and recognize revenues in the period the traffic is transported based on the minutes of traffic carried. Long distance revenues are recognized at the time a call is placed based on the minutes of traffic processed at contracted rates.

Reported network access revenues are estimates subject to settlement adjustments in the near term resulting from changes in expense and plant investment levels and rate of return experience.

Revenues from network access and long distance services were increased/(decreased) by approximately [REDACTED] in 2015 and 2014, respectively, as a result of adjustments to prior years' estimates.

The Company recognizes internet revenue as the total amount earned from charges to customers in the statement of operations as internet services. In accordance with tariffs filed with the FCC by NECA, the Company charges its non-regulated internet operations the tariffed wholesale DSL rate for the use of the Company's regulated plant facilities. These charges in network access services and cost of internet services totaled [REDACTED] and [REDACTED] in 2015 and 2014, respectively.

Both the revenues and expenses related to directory publishing activities are recognized in the period when the directory is published.

The Company recognizes taxes charged to customers on a net basis in the consolidated statements of operations.

Patronage Capital

Revenues in excess of costs and expenses are assigned to patrons on a patronage basis in accordance with the Company's bylaws and are represented by patronage capital.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

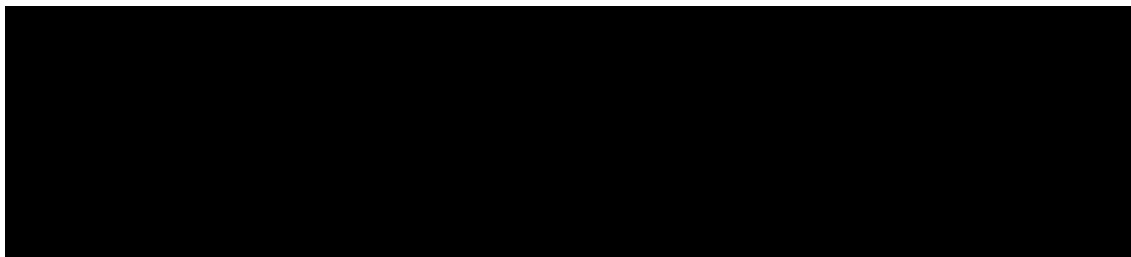
The Company determines the fair value of its financial assets and liabilities based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Reclassifications

Certain reclassifications have been made to the 2014 consolidated financial statements to conform with the 2015 presentation.

NOTE 2. SALE OF WIRELESS ASSETS



**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014**

NOTE 3. SECURITIES INVESTMENTS

The amortized cost and fair value of available-for-sale securities are:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>March 31, 2015:</u>				
Available-for-sale equity securities:				
Basic Materials Industry				
Conglomerates Industry				
Consumer Goods Industry				
Financial Services Industry				
Healthcare Industry				
Industrial Goods Industry				
Services Industry				
Technology Industry				
Utilities Industry				
U.S. Stock - Mutual Funds				
International Stock - Mutual Funds				
Municipal Bond - Mutual Funds				
Municipal Bond - Debt				
Exchange Traded Funds				
Preferred Securities				
Futures				
Hedge Funds				
Total				
Amounts classified as:				
Marketable equity securities				

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014**

NOTE 3. SECURITIES INVESTMENTS (Continued)

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>March 31, 2014:</u>				
Available-for-sale equity securities:				
Basic Materials Industry				
Conglomerates Industry				
Consumer Goods Industry				
Financial Services Industry				
Healthcare Industry				
Industrial Goods Industry				
Services Industry				
Technology Industry				
Utilities Industry				
U.S. Stock - Mutual Funds				
International Stock - Mutual Funds				
Alternative - Mutual Funds				
Municipal Bond - Mutual Funds				
Municipal Bond - Debt				
Exchange Traded Funds				
Preferred Securities				
Futures				
Hedge Funds				
Total				
Amounts classified as:				
Marketable equity securities				

Investments measured at fair value are valued at Level 1 in the fair value hierarchy.

The amortized cost and fair value of debt securities at March 31, 2015, by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014**

NOTE 3. SECURITIES INVESTMENTS (Continued)

	Amortized Cost	Fair Value
Available-for-Sale:		
Due after one year through three years		
Due after three years		

NOTE 4. COST AND EQUITY METHOD INVESTMENTS

The Company has a [REDACTED] interest in the Alamo Cellular, Ltd. partnership which provides cellular service. This investment is accounted for by the equity method. For the investments [REDACTED] at March 31, 2015 and 2014, respectively) accounted for under the equity method, the Company recognizes its proportionate share of the income and losses accruing to it under the terms of its partnership agreements.

The following is a summary of condensed financial information pertaining to the investment described above:

	Years Ended December 31,	
	2014	2013
Assets		
Liabilities		
Equity		
Revenues		
Expenses		
Net Income		

The Company has a [REDACTED] interest in the Texas Lone Star Networks, LLC partnership. This investment is accounted for by the equity method. For the investments [REDACTED] at March 31, 2015 and 2014, respectively) accounted for under the equity method, the Company recognizes its proportionate share of the income and losses accruing to it under the terms of its partnership agreements.

As of March 31, 2015, the Company had [REDACTED] in cost method investments. Management determined it was unnecessary to evaluate these investments for impairment as no identified adverse event or changes in circumstances were observed. In accordance with generally accepted accounting principles, the Company is not required to estimate fair value under these conditions.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014**

NOTE 4. COST AND EQUITY INVESTMENTS (Continued)

Because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs, management has determined it is not practical to estimate the fair value of these investments. However, management believes that the carrying amount of these investments at March 31, 2015, included in other investments is not impaired.

NOTE 5. INTANGIBLES

Intangible assets at March 31 consist of the following:

	2015		2014	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
<u>Amortized Intangibles</u>				
Organization costs				

There was no amortization expense for the years ended March 31, 2015 and 2014, respectively.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes the following:

	2015	2014
Telephone plant in service:		
Land		
Buildings		
Furniture and office equipment		
Vehicles and work equipment		
Switching equipment		
Outside plant		
Other plant and equipment		
Leasehold improvements		
Subtotal		
Video plant in service:		
Head end equipment		
Total property, plant and equipment		

Depreciation on depreciable property resulted in composite rates of [REDACTED] 2015 and 2014, respectively.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014**

NOTE 7. INCOME TAXES

Income taxes reflected in the Consolidated Statements of Operations consist of the following:

	<u>2015</u>	<u>2014</u>
Federal income taxes:		
Current tax expense		
Deferred tax expense (benefit)		
Total income tax expense		

Cash paid for income taxes and estimated income taxes for 2015 and 2014 totaled and respectively.

Deferred federal and state tax liabilities and assets reflected in the Consolidated Balance Sheets are summarized as follows:

	<u>2015</u>	<u>2014</u>
Deferred Tax Liabilities		
Federal		
Total Deferred Tax Liabilities		
Deferred Tax Assets		
Federal		
Total Deferred Tax Assets		
Net Deferred Tax Liabilities		
Current Portion		
Long-term Portion		
Net Deferred Tax Liabilities		

The tax provision differs from the expense that would result from applying the federal statutory rates to operations before income taxes because of the effects of unconsolidated equity method partnership income, federally tax exempt interest income, dividends received deduction and because the Company is permitted to exclude from taxable income margins generated from patronage sourced activities, if those margins are appropriately allocated to patrons as capital credits. This excluded income varies from year to year, resulting in fluctuations in the effective tax rate and income tax expense.

The Company has evaluated its income tax positions and has determined that there are no uncertain income tax positions that need to be recorded or reported in the financial statements at March 31, 2015.

The Company's federal income tax returns for years 2011 to present remain subject to examination.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014**

NOTE 8. BROADBAND INITIATIVES PROGRAM GRANT

On July 19, 2010, the parent Company, XIT Rural Telephone Cooperative, Inc. signed an agreement with the United States Department of Agriculture Rural Utilities Service (RUS) under its Broadband Initiatives Program (herein referred to as Round 1). In accordance with the Agreement, the Company shall receive grants in the amount of [REDACTED] over a maximum five-year period to finance the construction of a broadband infrastructure project (Project) to serve certain designated areas in the panhandle of Texas. The Company has designated the non regulated portion of the Stimulus Round 1 project to be recorded on the Company's subsidiary XIT Telecommunication & Technology, Ltd.. The Company records grant funds receivable when grant approved project costs have been incurred, and subsequently transferred to the Company's subsidiary XIT Telecommunication & Technology Ltd.

Under the grant, the RUS retains a security interest in the property and, accordingly, must provide consent for the sale of the property to a third party or affiliate. In addition, the agreement contains other provisions including an obligation to provide broadband services for the term of the agreement and the composite economic life (10 years) of the facilities financed by the grant; a requirement to achieve a minimum current ratio of one beginning on December 31, 2011; and certain restrictions on distributions to stockholders or members and, investment in, or loans to others. The Company is restricted from making any distributions, except as might be specifically authorized in writing in advance by the RUS, unless 75% of the Grant funds have been expended as approved if after such Distribution, the Grantee's Net Worth is equal to at least twenty percent (20%) of its Total Assets and the amount of all such Distributions during the calendar year does not exceed twenty-five percent (25%) of the Grantee's Net Income or Net Margins for the prior calendar year. Further, Grant funds expended with an affiliate, or other specified related parties, are limited to an amount which is the lower of cost or market rate and the transactions, contracts, or dealings must have received the prior written consent of RUS.

At March 31, 2015, the Company has incurred costs of [REDACTED] and has submitted requests for funds in the amount of [REDACTED] related to the Project. Of this amount, [REDACTED] has been received and reflected as deferred grant revenue to be amortized over the life of the plant investment acquired with the grant. The remaining [REDACTED] is reflected in grant funds receivable and as deferred revenue to be amortized over the life of the plant investment [REDACTED] was amortized in 2015). In June of 2015, The Company formally rescinded [REDACTED] of the original grant award.

At March 31, 2014, the Company has incurred costs of [REDACTED] and has submitted requests for funds in the amount of [REDACTED] related to the Project. Of this amount, [REDACTED] has been received and reflected as deferred grant revenue to be amortized over the life of the plant investment acquired with the grant. The remaining [REDACTED] is reflected in grant funds receivable and as deferred revenue to be amortized over the life of the plant investment [REDACTED] was amortized in 2014)

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014**

NOTE 8. BROADBAND INITIATIVES PROGRAM GRANT (Continued)

On September 30, 2010, the parent Company, XIT Rural Telephone Cooperative, Inc. signed an agreement with the United States Department of Agriculture Rural Utilities Service (RUS) under its Broadband Initiatives Program (herein referred to as Round 2). In accordance with the Agreement, the Company shall receive grants in the amount of [REDACTED] over a maximum five-year period to finance the construction of a broadband infrastructure project (Project) to serve certain designated areas in the panhandle of Texas. The Company records grant funds receivable when grant approved project costs have been incurred.

Under the grant, the RUS retains a security interest in the property and, accordingly, must provide consent for the sale of the property to a third party or affiliate. In addition, the agreement contains other provisions including an obligation to provide broadband services for the term of the agreement and the composite economic life (26 years) of the facilities financed by the grant; a requirement to achieve a minimum current ratio of one beginning on December 31, 2011; and certain restrictions on distributions to stockholders or members and, investment in, or loans to others. The Company is restricted from making any distributions, except as might be specifically authorized in writing in advance by the RUS, unless 75% of the Grant funds have been expended as approved if after such Distribution, the Grantee's Net Worth is equal to at least twenty percent (20%) of its Total Assets and the amount of all such Distributions during the calendar year does not exceed twenty-five percent (25%) of the Grantee's Net Income or Net Margins for the prior calendar year. Further, Grant funds expended with an affiliate, or other specified related parties, are limited to an amount which is the lower of cost or market rate and the transactions, contracts, or dealings must have received the prior written consent of RUS.

At March 31, 2015 and 2014, the Company has incurred costs of [REDACTED] and has submitted requests for funds in the amount of [REDACTED] related to the Project. Of this amount, [REDACTED] has been received at March 31, 2015 with \$1,450,729 is reflected as a reduction in plant investment. The remaining [REDACTED] is reflected in grant funds receivable with a corresponding reduction in plant investment at March 31, 2015.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014**

NOTE 9. MULTIEMPLOYER DEFINED BENEFIT PENSION PLAN

The Company contributes to the "Retirement and Security Program (R&S) for Employees of the National Telecommunications Cooperative Association (NTCA) and Its Member Systems". The multiemployer program is a defined benefit pension plan covering most employees. The risk of participating in this multiemployer plan is different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Company chooses to stop participating in the multiemployer plan, they may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in this plan for the annual period ended March 31, 2015, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2015 and 2014 is for the plan's year-end at December 31, 2013, and December 31, 2012, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented.

The Program does not have a certified zone status as currently defined by the PPA because the Program is considered a multiple employer plan pursuant to the Internal Revenue Code and ERISA.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending/Implemented	Contributions		Surcharge Imposed
				3/31/2015	3/31/2014	
R&S		N/A	N/A			No

At the date the consolidated financial statements were issued, Forms 5500 were not available for the plan years ending in 2015.

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014**

NOTE 10. CONCENTRATIONS OF CREDIT RISK

The Company grants credit to customers, all of whom are located in the franchised service area, and telecommunications intrastate and interstate long distance carriers.

The Company received [REDACTED] of its 2015 revenues from access revenues and assistance provided by the Federal Universal Service Fund. As a result of the Telecommunications Act of 1996, the manner in which access revenues and Universal Service Funds are determined is currently being modified by regulatory bodies.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and temporary investments. The Company places its temporary investments in several financial institutions which limits the amount of credit exposure in any one financial institution.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 11. REGULATORY ACCOUNTING

For its telephone operations, the Company follows generally accepted accounting principles for regulated enterprises. Accordingly, the Company defers certain cost and obligations and depreciates plant and equipment over lives approved by regulators. While the Company continues to believe the current regulatory and competitive environment supports this accounting treatment, should conditions change the Company would be required to write-off these deferred cost and obligations and evaluate the net carrying value of its plant and equipment for any impairment losses absent the future recovery currently permitted by the regulators.

NOTE 12. REGULATORY MATTERS

The Company receives revenues from access revenues and assistance provided by the Federal Universal Service Fund. As a result of the National Broadband Plan the manner in which access revenues and Universal Service Funds are determined has been modified by the Federal Communications Commission in an order effective December 29, 2011. Among other things, this order provides for (1) a requirement to provide broadband services; (2) the establishment of a Connect America Fund (CAF) to replace current USF and high cost support mechanisms with a cap on the total fund; (3) modifications to the current rate of return support model including caps on the recovery of certain expenditures; (4) a reduction in the terminating access charges billed by the Company over a nine year period with eventual transition to a bill-and-keep framework for the exchange of traffic between carriers; (5) a new access recovery charge on monthly customer bills; and (6) a national framework for reporting and oversight.

The order calls for further guidelines to be adopted on implementation and other topics. Portions of this order applicable to the Company are being challenged. Accordingly, neither the outcome of these proceedings nor their potential impact on the Company can be predicted at this time.

REDACTED - FOR PUBLIC INSPECTION

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTARY INFORMATION**

To the Board of Directors
XIT Rural Telephone Cooperative, Inc. and Subsidiaries
Dalhart, Texas

We have audited the consolidated financial statements of XIT Rural Telephone Cooperative, Inc. and subsidiaries as of and for the years ended March 31, 2015, and 2014, and have issued our report thereon dated July 15, 2015, which contained an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements, but is required by the United States Department of Agriculture, Rural Development Utilities Program. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Colorado Springs, Colorado
July 15, 2015

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**CONSOLIDATING BALANCE SHEET
March 31, 2015**

ASSETS

	<u>XIT Rural Telephone Cooperative, Inc.</u>	<u>XIT Telecommunication & Technology, Ltd.</u>	<u>XT&T Holdings, LLC</u>	<u>Intercompany Eliminations</u>	<u>Consolidated</u>
CURRENT ASSETS					
Cash and cash equivalents					
Special construction account					
Temporary investments					
Accounts receivable:					
Due from customers					
Less allowance of \$(30,792)					
Interexchange carriers					
Affiliates					
Other					
Grant funds receivable					
Current portion of notes receivable					
Interest receivable					
Materials and supplies, at average cost					
Inventory, at average cost					
Prepayments					
Other current assets					
OTHER NONCURRENT ASSETS					
Investment in affiliates					
Marketable equity securities					
Partnership investments					
Investment in lenders					
Cash value of life insurance					
Other investments					
Notes receivable, less current portion					
Deferred charges					
PROPERTY, PLANT AND EQUIPMENT					
Telephone plant in service					
Video plant in service					
Less accumulated depreciation					
Plant under construction					
TOTAL ASSETS					

See Independent Auditor's Report on Supplementary Information

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**CONSOLIDATING BALANCE SHEET
March 31, 2015**

LIABILITIES AND MEMBERS' EQUITY

	<u>XIT Rural Telephone Cooperative, Inc.</u>	<u>XIT Telecommunication & Technology, Ltd.</u>	<u>XT&T Holdings, LLC</u>	<u>Intercompany Eliminations</u>	<u>Consolidated</u>
CURRENT LIABILITIES					
Current portion of notes payable					
Current portion of deferred grant revenue					
Accounts payable:					
Interexchange carriers					
Affiliates					
Other					
Customer deposits					
Accrued income taxes					
Other accrued taxes					
Other accrued liabilities					
OTHER NONCURRENT LIABILITIES AND DEFERRED CREDITS					
Deferred income taxes					
Notes payable, less current portion					
Deferred grant revenue, less current portion					
Other deferred credits					
MEMBERS' EQUITY					
Memberships					
Patronage capital assignable					
Patronage capital assigned					
Undistributed earnings of subsidiaries					
Accumulated Other Comprehensive Income					
Partners' capital					
TOTAL LIABILITIES AND MEMBERS' EQUITY					

See Independent Auditor's Report on Supplementary Information

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**CONSOLIDATING STATEMENT OF OPERATIONS
Year ended March 31, 2015**

	<u>XIT Rural Telephone Cooperative, Inc.</u>	<u>XIT Telecommunication & Technology, Ltd.</u>	<u>XT&T Holdings, LLC</u>	<u>Intercompany Eliminations</u>	<u>Consolidated</u>
OPERATING REVENUES					
Local network services					
Network access services					
Long distance services					
Internet services					
Video services					
Nonregulated services					
Grant revenue					
Lease revenue					
Miscellaneous revenue					
OPERATING EXPENSES					
Cost of long distance services					
Cost of internet services					
Cost of video services					
Cost of nonregulated services					
Plant specific operations					
Plant nonspecific operations					
Depreciation and amortization					
Customer operations					
Corporate operations					
General taxes					
OPERATING MARGINS (LOSS)					
OTHER INCOME (EXPENSE)					
Interest and dividend income					
Income from partnerships					
Gain/(loss) on sale of investments					
Other interest deductions					
Other, net					
MARGINS (LOSS) BEFORE INCOME TAXES AND EQUITY EARNINGS OF SUBSIDIARIES					
INCOME TAXES					
MARGINS (LOSS) BEFORE MINORITY INTEREST IN NET INCOME AND EQUITY EARNINGS OF SUBSIDIARIES					
NONCONTROLLING INTEREST IN NET INCOME OF SUBSIDIARY					
EQUITY EARNINGS OF SUBSIDIARIES					
NET MARGINS (LOSS)					

See Independent Auditor's Report on Supplementary Information

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**CONSOLIDATING BALANCE SHEET
March 31, 2014**

ASSETS

	<u>XIT Rural Telephone Cooperative, Inc.</u>	<u>XIT Telecommunication & Technology, Ltd.</u>	<u>XT&T Holdings, LLC</u>	<u>Intercompany Eliminations</u>	<u>Consolidated</u>
CURRENT ASSETS					
Cash and cash equivalents					
Special construction account					
Temporary investments					
Accounts receivable:					
Due from customers					
Less allowance of \$(48,119)					
Interexchange carriers					
Affiliates					
Other					
Grant funds receivable					
Current portion of notes receivable					
Interest receivable					
Materials and supplies, at average cost					
Inventory, at average cost					
Prepayments					
Other current assets					
OTHER NONCURRENT ASSETS					
Investment in affiliates					
Partnership investments					
Marketable equity securities					
Investment in lenders					
Other investments					
Notes receivable, less current portion					
Deferred charges					
PROPERTY, PLANT AND EQUIPMENT					
Telephone plant in service					
Video plant in service					
Less accumulated depreciation					
Plant under construction					
TOTAL ASSETS					

See Independent Auditor's Report on Supplementary Information

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**CONSOLIDATING BALANCE SHEET
March 31, 2014**

LIABILITIES AND MEMBERS' EQUITY

	<u>XIT Rural Telephone Cooperative, Inc.</u>	<u>XIT Telecommunication & Technology, Ltd.</u>	<u>XT&T Holdings, LLC</u>	<u>Intercompany Eliminations</u>	<u>Consolidated</u>
CURRENT LIABILITIES					
Current portion of notes payable					
Current portion of deferred grant revenue					
Accounts payable:					
Interexchange carriers					
Affiliates					
Other					
Customer deposits					
Accrued income taxes					
Other accrued taxes					
Other accrued liabilities					
OTHER NONCURRENT LIABILITIES AND DEFERRED CREDITS					
Deferred income taxes					
Notes payable, less current portion					
Deferred grant revenue, less current portion					
Other deferred credits					
MEMBERS' EQUITY					
Memberships					
Patronage capital assignable					
Patronage capital assigned					
Undistributed earnings of subsidiaries					
Accumulated Other Comprehensive Income					
Partners' capital					
Noncontrolling interest					
TOTAL LIABILITIES AND MEMBERS' EQUITY					

See Independent Auditor's Report on Supplementary Information

**XIT RURAL TELEPHONE COOPERATIVE, INC.
DALHART, TEXAS**

**CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended March 31, 2014**

	XIT Rural Telephone Cooperative, Inc.	XIT Telecommunication & Technology, Ltd.	XT&T Holdings, LLC	Intercompany Eliminations	Consolidated
OPERATING REVENUES					
Local network services					
Network access services					
Long distance services					
Internet services					
Video services					
Wireless services					
Nonregulated services					
Grant revenue					
Lease revenue					
Miscellaneous revenue					
OPERATING EXPENSES					
Cost of long distance services					
Cost of internet services					
Cost of video services					
Cost of nonregulated services					
Plant specific operations					
Plant nonspecific operations					
Depreciation and amortization					
Customer operations					
Corporate operations					
General taxes					
OPERATING MARGINS (LOSS)					
OTHER INCOME (EXPENSE)					
Interest and dividend income					
Income from partnerships					
Gain/(loss) on sale of investments					
Loss on disposition of property					
Interest on funded debt					
Other interest deductions					
Other, net					
INCOME BEFORE INCOME TAXES AND EQUITY EARNINGS OF SUBSIDIARIES					
INCOME TAXES					
MARGINS BEFORE MINORITY INTEREST I NET INCOME AND EQUITY EARNINGS OF SUBSIDIARIES					
NONCONTROLLING INTEREST IN NET INCOME OF SUBSIDIARY					
EQUITY EARNINGS OF SUBSIDIARIES					
NET MARGINS					

See Independent Auditor's Report on Supplementary Information

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
XIT Rural Telephone Cooperative, Inc. and Subsidiaries
Dalhart, Texas

We have audited the accompanying consolidated financial statements of XIT Rural Telephone Cooperative, Inc. and subsidiaries as of and for the year ended March 31, 2015, and have issued our report thereon dated July 15, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered XIT Rural Telephone Cooperative, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Company's internal control to be significant deficiencies:

- **Comment:** Similar to other companies of its size, the Company has a limited number of personnel, as a result, it has utilized accounting assistance from another party to draft financial statements and assist with preparation of certain normal annual closing entries including materials and supplies.
Potential Effects: Lack of knowledge and experience in preparing financial statements and normal closing entries could result in incomplete disclosures and/or incorrect presentation of information which could have an adverse impact to investors relying on the financial statements.
Management's Response: The Company reviews and approves the results of these activities and believes this approach provides a cost effective solution in light of their limited resources.
- **Comment:** The Company has a limited number of personnel, and while it has attempted to segregate incompatible duties, it is difficult to segregate duties among employees in all areas to prevent an individual employee from handling duties which are incompatible.
Potential Effects: Due to the lack of a formal internal control and information technology system and segregation of duties, there is a potential for an employee to perpetrate and conceal a theft of assets from the Company.
Management's Response: Management believes that a formal risk assessment and monitoring system may not be practical from a cost benefit stand point although the Company does perform informal risk assessments and monitors the business risk associated with personnel assignments.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether XIT Rural Telephone Cooperative, Inc. and subsidiary's consolidated financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

XIT Rural Telephone Cooperative, Inc.'s Response to Findings

The Company's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Colorado Springs, Colorado
July 15, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ASPECTS
OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS
FOR TELECOMMUNICATIONS BORROWERS**

To the Board of Directors
XIT Rural Telephone Cooperative, Inc. and Subsidiaries
Dalhart, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of XIT Rural Telephone Cooperative, Inc. and subsidiaries, which comprise the balance sheet as of March 31, 2015, and the related statements of operations, comprehensive income, members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 15, 2015. In accordance with Government Auditing Standards, we have also issued our report dated July 15, 2015, on our consideration of XIT Rural Telephone Cooperative, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above and our schedule of findings and recommendations related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that XIT Rural Telephone Cooperative, Inc. failed to comply with the terms, covenants, provision, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and the clarified RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding XIT Rural Telephone Cooperative, Inc.'s noncompliance with the above-referenced terms, covenants, provisions or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding XIT Rural Telephone Cooperative, Inc.'s accounting and records to indicate that XIT Rural Telephone Cooperative, Inc. did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material and overhead costs, and the distribution of these costs to construction, retirement and maintenance or other expense accounts;
- Reconcile continuing property records to the controlling general ledger plant accounts;

- Clear construction accounts and accrue depreciation on completed construction;
- Record and properly price the retirement of plant;
- Seek the approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material or scrap;
- Maintain adequate control over materials and supplies;
- Prepare accurate and timely Financial and Operating Reports;
- Obtain written approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers substantially all of the telecommunications system;
- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;
- Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);
- Comply with the requirements for the detailed schedule of investments.

XIT RURAL TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES
SCHEDULE OF SUBSIDIARY AND AFFILIATE INVESTMENTS
March 31, 2015 and 2014

Entity Name

XIT
Telecommunication & Technology, Ltd. XT&T Holdings, LLC

Principal Business

Ownership Percentage

Accounting method

Year ended March 31, 2014

Original Investment

Earnings (losses)

Prior years

Current year

Distributions received

Prior years

Book value of investment March 31, 2014

Year ended March 31, 2015

Earnings (losses)

Current year

Dividends received

Current year

Book value of investment March 31, 2015

This report is intended solely for the information and use of the board of directors and management of the Company, the Rural Development Utilities Program, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Colorado Springs, Colorado
 July 15, 2015